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SUBJECT: QIZ EXPANSION TO SUPPORT EXPANDED US COTTON EXPORTS

¶1. Recent expansion of the QIZ into Beni Suef and Minya may help boost US cotton exports to Egypt. At present, the US sells only Pima long staple cotton from California and Arizona in Egypt for use in high quality cotton products such as high threadcount sheets and shirts. These imports supplement falling Egyptian domestic production of traditional Egyptian longstaple cotton. U.S. exports to Egypt amount to about 2,000-5,000 metric tons (mt) of longstaple cotton annually, a very small but growing market segment.

¶2. In the meantime, importers have told us that with the expansion of the QIZ and the removal of present phytosanitary restrictions, they hope to begin importing cheaper shorter staple cotton from the U.S. This cotton would be used in the lower quality, low tech textile production of T-shirts and denim. In 1992 Egypt imported 100,000 mt of U.S. cotton but due to concerns about boll weevil infestation in the major producing states (Texas and Tennessee) U.S. exports came to halt. Marsha Powell, from the U.S. Cotton Council visited Egypt in September 2008 to discuss the potential for renewed exports given the eradication programs in place in the U.S.. FAS Cairo met with Ministry of Agriculture officials and agreed to present phytosanitary technical files from the major producing states showing their compliance with Egyptian requirements.

¶3. APHIS inspection certificates will be required for each shipment of cotton coming from the U.S. FAS is in discussions with the GOE to agree on what the certification requirements for the imported cotton will be, what APHIS inspections will entail and what the certificates will say. We hope to reach agreement on these issues by mid-2009.

¶4. Currently Egypt imports about 100,000 mt of cotton annually, mainly from Greece, Sudan and Syria. The government, however, wants to diversify the supply of cotton for their textile industry and so is very interested in U.S. cotton.
Scobey